Postal Regulatory Commission
Submitted 3/1/2018 4:31:01 PM
Filing ID: 104042
Accepted 3/2/2018

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March 1, 2018

U.S. Postal Regulatory Commission
901 New York Avenue NW, Suite 2000
Washington, DC 20268-0001

Re: Comment on 10-Year Rate System Review, RM2017-3

Dear Commissioners,

My name is Samuel Edelston, and I'm executive vice president and co-owner of Bottom Line Inc. (formerly known as Boardroom Inc.). We are a second-generation family business, in our 46th year. I've been analyzing our marketing programs for 35 years. We publish newsletters and books, which we distribute by mail, and direct mail is by far our main source of business. In the past 30 years, we've sent out well over a billion and a half pieces of direct mail. In 2017, across all classes of mail, we spent over $11,000,000 on postage, with half of that spent on direct mail. We would love to have our company robustly in the mail for many years to come.

I am writing to convey my company's strong opposition to the changes the PRC has proposed as a result of its 10-year review of PAEA's system for regulating rates.

I write this with a vivid sense of déjà vu. In 2006, I studied how the pre-PAEA "rate shock" increase would impact us, and I found that, all other things being equal, our direct mail's price elasticity factor was between 1.5 and 2. In 2013, I studied our price elasticity again, and I found that, all other things being equal, a 6% increase in postage would reduce our mail volume by 12% -- an elasticity factor of 2. That was four times the price sensitivity that was predicted by the USPS's model. I learned that the "Thress model" was based on macroeconomic statistics that bear no relation to any variables that real-world mailers like us consider, even though they had the virtues of being unambiguous and easy to footnote.

We mail as many pieces as our profitability formula will allow. During the past decade, that volume has decreased dramatically: In 2017, we sent out fewer than half as many pieces of direct mail as we did in 2006, the year before PAEA. This is true even though we've achieved major cost savings in comailing, printing, and paper.

Some people will argue that overall mail volume didn't fall after the Exigent increase. But that was an uncontrolled experiment. It was in the middle of a strong economic recovery from a deep recession. We'll never know how much mail volume would have grown if there hadn't been an exigent increase.

Now, in 2018, I've studied it again. My company's elasticity factor is still 2. If CPI stays around 2% and USPS meets both of PRC's proposed incentives, each proposed yearly increase of 5% for letters and 7% for flats would decrease our direct mail volume by 10%-14%. For us, the mail multiplier is significant, too, because each order triggers Business Reply Mail, First Class bills mailed, product shipments or 8-24 issues of a Periodical, plus additional Marketing Mail cross-promotion.

The prospect of 5-year potential increases around 27%-40% is not feasible. It is a 5-year runway for mailers to develop other, non-postal media.

Do I have a better idea? There are many people in the mailing community who are more knowledgeable than me about the intricacies of postal costing and pricing. I can offer these observations:

1. The RHBF prefunding problem was created by Congress, and can only be solved by Congress. In 2006, with the best information then available and the best of intentions, they made a mistake, and they need to undo it. No amount of rearranging today's postage pie will solve it. A more rational schedule for prefunding would seem to be critical.
2. Multiple annual increases of 2-3 percentage points above CPI is a death spiral. If USPS operating profit is somewhere around breakeven, it should be unnecessary.
3. Underwater products: Increases of 4-5 points above CPI are an even steeper death spiral than the other products' 2-3 points above CPI. I just wish I understood the USPS's cost structure well enough to know whether there's a better way to look at that.

We work hard every day to try to increase our mail volumes. Please don't force us to do the opposite.

Respectfully submitted,

Samuel Edelston, EVP
Bottom Line Inc.